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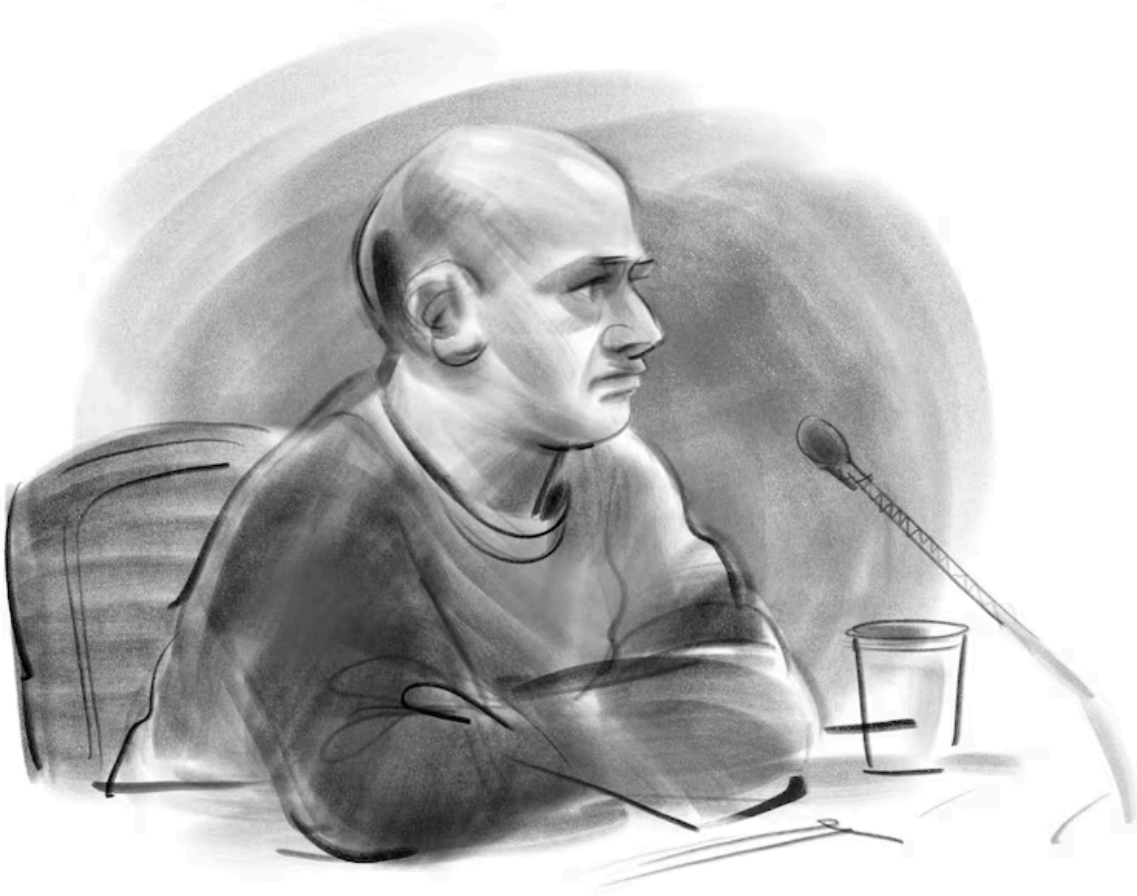
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Danish tax fraud suspect tells court he used legal loophole

By Isabelle Yr Carlsson and Jacob Gronholt-pedersen

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Court drawing of Sanjay Shah in a constitutional hearing at the Glostrup Court in Glostrup, Denmark, on Thursday 7 December 2023. Sanjay Shah, who is accused of participating in fraudulent...
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Summary

[Sanjay Shah pleads not guilty in \\$1.3 bln tax fraud trial in Denmark](#)

[He is accused of masterminding 'cum-ex' scheme](#)

[Shah says the scheme used a legal loophole](#)

Verdict in trial is expected in June 2025

GLOSTRUP, Denmark, March 21 (Reuters) - British hedge fund trader Sanjay Shah, the main suspect in a \$1.3 billion tax fraud case, testified in his first week on trial in Denmark that he used a legal loophole to execute a complex trading scheme reminiscent of a ballet performance.

Shah, 53, stands accused of being the mastermind behind fraudulently securing dividend tax refunds from the Danish treasury via trading schemes, known as 'cum-ex', between 2012 and 2015. He pleaded not guilty when the trial began last week in a court outside Copenhagen.

The scheme involved trading shares rapidly between banks, investors and hedge funds around dividend payout day, creating an illusion of numerous owners, each seemingly eligible for tax refunds on dividends. Denmark estimates it lost 12.7 billion Danish crowns (\$1.9 billion) in total.

Such schemes are estimated to have stripped state coffers in European countries, including Germany, Austria and Belgium, of billions of euros.

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Shah outlined how his London-based hedge fund Solo Capital Partners directed a closed "spiderweb" of trades.

"This involves taking advantage of a legal loophole that arose when shares were no longer physical shares," Shah told the court.

According to Shah, this loophole allowed participants to claim ownership of shares, thus being entitled to tax refunds, even if they did not own the shares and never paid any dividend tax in Denmark.

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He detailed how Solo Capital advised clients in the United States and Malaysia, many of which were founded or controlled by his own company, about the volume and timing of their trades.

Shah said all participants in the orchestrated trading activity followed the same pattern and trading concurrently.

"It was like a ballet," Shah said.

He said he was advised by tax specialists at Solo Capital, who gained their insights from Danish attorneys and public information.

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"I'm not a tax expert," he told the court. During his testimony, he repeatedly claimed memory lapses when questioned by the prosecutor.

Shah was arrested in 2022 in Dubai, where he resided on a private island in the Palm Jumeirah development, known for his opulent lifestyle and hosting celebrities like Snoop Dogg, Elton John, and Ed Sheeran.

In December last year, he was extradited to Denmark. Prosecutor Marie Tullin asked the court to confiscate assets belonging to Shah worth 7.2 billion Danish crowns, including a list of 21 properties, mostly in the UK.

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Tullin, who finished her questioning of Shah on Thursday, alleges that Shah and other actors in the cum-ex scheme misled the state through fictitious trades.

The Copenhagen trial has 58 court hearings scheduled until June 2025. Shah is charged under an article in the Danish criminal act that could carry up to 12 years in prison.

The Danish tax agency is set to begin a civil lawsuit against Shah in London on April 14, where it expects to recover between 8.5 billion and 9.5 billion crowns.

Last month, a Danish court sentenced Britons [Anthony Mark Patterson](#) and [Guenther Klar](#) to eight and six years in prison, respectively, for their involvement in Shah's trading scheme.

Shah explained the scheme to the lay judges in court that it was comparable to baking a cake.

"If you want to bake a Black Forest Cake, you have to follow the recipe. If you leave out the butter, you won't end up with a Black Forest Cake," Shah said.

(\$1 = 0.9183 euros)

(\$1 = 6.8460 Danish crowns)

(This story has been refiled to clarify the reference to trial, not trail, in paragraph 2)

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Based in Copenhagen, Jacob oversees reporting from Denmark, Iceland, Greenland and the Faroe Islands. Specializes in security and geopolitics in the Arctic and Baltic Sea regions, as well as large corporates such as brewer Carlsberg and shipping group A.P. Moller-Maersk. His most impactful reporting on Arctic issues include a report on how NATO allies are slowly waking up to Russian supremacy in the region, uncovering how Greenland represents a security black hole for Denmark and its allies, and how an abundance of critical minerals has proven a curse for Greenland. Before moving to Copenhagen in 2016, Jacob spent seven years in Moscow covering Russia's oil and gas industry for Dow Jones Newswires and The Wall Street Journal, followed by four years in Singapore covering energy markets for WSJ and Reuters. As a Russian speaker, he has been involved in covering the war in Ukraine. He publishes a newsletter each weekday focused on the most important regional and global news. Contact Jacob via email if you are interested in receiving the newsletter.



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